CHAPTER–I

INTRODUCTION AND DESIGN OF THE STUDY

The struggle of modern man to overcome the adversity of committed hardship had always resulted in the exploration and invention of new things. For a very long time all the manufactured goods were being manual and they used to be in small quantities by craftsmen working in their households; now such crafts guilds are known as cottage industries. By the time these goods reached the common man, the prices were very high and due to short supply, the demand was always more. Owing to the demand, people started to find ways and means of meeting such demand. Consequently, Factory system led the path and made people realise the need to enhance productivity in terms of both quantity as well as quality. This was the first step for the great change that the world witnessed known as “The Industrial Revolution”.

Industries are considered to be the key factor in the economic development of a country. India being one of the world’s largest democracies and the development of industries is not only indispensable but an integral part of the economy. Though India got independence in 1947, the planning era was launched in 1951 by the introduction of the First Five Year Plan. After 64 years of independence, India has undoubtedly made tremendous progress in various fields, be it agriculture, industry, energy, telecom, transportation, infrastructure or any other field. India’s achievements in the last six decades have enabled her to establish a rightful place among all the developing or the developed nations of the world and this credit goes to the visionary leaders of this country. In fact, it is observed by many persons that it is the ‘Nehruvian planning

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model’ which has helped India to lay the foundation on which the edifice of India’s industrial growth stands today, thereby forming the basis of growth in all the sectors.

The Government of India from the beginning had earmarked a special role to small-scale and the medium scale industries for their contribution towards the Indian economy. Due protection was also given to both the sectors particularly to the small scale sector from 1951 to 1991 till the nation adopted a policy of liberalisation and globalisation. The enterprising spirit of Indian SSIs was undoubtedly put to test in July 1991 when India embarked on the process of globalisation of its protected/insulated economy. The Indian enterprises, which had been protected all these years, were in a state of shock. Doubts were expressed whether the small scale industries could withstand the pressure of international competition by multinationals. Some predicted that most of the SSIs would perish. However, the prediction was proved to be wrong. It took larger enterprises a little longer, whereas resilience of small enterprises made them to catch up rather fast and hence SSIs have been doing very well even better than larger enterprises.

Though the new policies of liberalisation were initiated late by India, however, it still presented a bright future. What was required was a “Mighty sense of national commitment” as observed by Dr. Abid Hussain. He further adds that “India has been and will continue to be a great country and we must recharge the battery of great national spirit. Most of the foreign countries treat India and Indian enterprises a better bet compared to many other countries in the world.” In a recent interview with Dr. Firdous Ashiq Awan, Federal Minister of Information, Government of Pakistan, she rightly mentioned that India was the Most Favoured Nation (MFN), when it came

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3 Deccan Herald, Bangalore, Nov 3, 2011, page 1
to business dealings. All over the world, large organisations are breaking into small, for various reasons such as the cost of production, better management, control etc., and are able to compete in the International Trade. The smaller version of the business is the kind of business which is mostly preferred by most of the entrepreneurs all over the world.

Therefore, in order to give boost to the development prospects and realise the emerging opportunities while keeping in view the challenges, it is considered desirable to identify areas which will give impetus to SSIs for realising higher growth through strengthening them and enhancing their competitiveness.

Before understanding the nature and meaning of small business, it is important to know how the term Industry is defined in our country and its various classifications. Industry can be defined as “A group of firms of different sizes producing identical products”. Further, they are classified as large scale industry or small scale industry and its various sub-divisions such as extractive industry, manufacturing industry, construction industry, service industry, agro-based industry, etc. Several parameters can be used to measure the size of business units. These include the number of persons employed in business, capital invested in business, volume of output or value of output of business and power consumed for business activities.

1.1 SMALL SCALE INDUSTRIES IN INDIA:

In India, the Small Scale Industries account for 95 per cent of the country's industrial units, 40 per cent of industrial output, 80 per cent of employment in the industrial sector, 35 per cent of value added by the manufacturing sector, 40 per cent

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of total exports and almost 7 per cent of Gross domestic product. Reflectively, after agriculture, small industry is the single biggest group in the country's economic activities which play an important role in the process of the country's industrial development and are considered to be the second largest employers of human resources, after agriculture.5

The ‘small scale industries sector’ in India consists of both ‘traditional’ and ‘modern’ industries. The traditional industries comprises of handlooms, handicrafts, coir, sericulture, khadi and village industries, whereas the modern industries comprises power-looms and all the other small scale industries using modern technology. The broad classification and its sub-classification of the small scale industries are shown in the following chart.

Chart-1.1

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1.2 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDIA:

The Ministry of Agro and Rural Industries and the Ministry of Small Scale Industries have been merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises.” Until the enactment of the Micro, Small and Medium Enterprises Development Act 2006 (here after referred to as MSMED Act), there was

Source: “Management of a Small-Scale Industry – Vasant Desai ⁶
no separate Act governing the small scale industries, no proper differentiation among the categories of industries was made and the service sector was totally ignored. Therefore, the enactment of the MSMED Act 2006 took place which clearly defined the three tiers of industries namely micro, small and medium enterprises and the service enterprises.

In India, a majority of the MSMEs are in the unorganised sector and have to face many challenges. As meeting the external challenges such as cost of capital, infrastructural facilities, competitive procurement, and technology transfer from developed countries might need government support, the internal challenges also need to be focused equally. The MSMEs in India are either family run businesses or run by first generation entrepreneurs who may not have any support whatsoever.

In times of severe competition, MSMEs need to have global preparedness and discover their own unique source of sustainable competitive advantage and build it at a significantly higher level. This is possible by having a clear vision, focused measurable goals and developing the potential of the people resulting in higher productivity. Small industries provide ample opportunities for entrepreneurship. The latent skills and talents of people can be channeled into business ideas which can be converted into reality with little capital investment and almost nil formalities to start a small business. The study of MSME would not be complete without a study of entrepreneurs and entrepreneurship in India.

An entrepreneur today needs to play the role of the effective leader who forges confidently toward the future and emerges with a high-performance organization. The focus of his/her vision has to be propelled by clearly defined goals which are communicated to their teams. The meaning of an entrepreneur has been defined by many people such as the economists, psychologists and the sociologists. In the words
of Joseph Schumpeter. “An entrepreneur basically is regarded as an innovator who carries out new combinations to initiate and accelerate the process of economic development.” There are some key qualities identified in an entrepreneur which one must possess in order to succeed. Those qualities are innovation, risk-taking, hard work, self-confidence, goal-setting and above all, a strong desire to excel.

The term entrepreneur is attributed to all small industries and businesses as the development of these businesses depends on the entrepreneurs who have acquired special significance in the context of the economic growth in a rapidly changing socio-economic and socio-cultural climate both in developed and developing countries.

The entrepreneurial ability of an individual is judged by his/her inherent strength of adaptability and personal touch to the enterprises. Therefore, the entrepreneur maintains good personal relations with both customers and employees. Due to the small size of the organization, quick and timely decision can be taken without consulting many people in contrast to the large sized organisations. New business opportunities can be captured at the right time, thus providing healthy competition to big business which is good for the economy. Entrepreneurs do not need to be only men as there is a huge opportunity for women entrepreneurs also in India. There are about 29.8 million MSMEs in India and less than 5% are owned by women. The Government of India along with the support of various State Governments has developed policies and granted incentives that would benefit the women entrepreneurs to a very large extent.

The Micro, Small and Medium Enterprises (MSMEs), interchangeably referred to as SMEs or MSEs or SMBs depending upon the category of enterprise and its contribution, immanently play a vital role in the development of the Indian economy.

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8 Annual Report by the Ministry for Small and Medium Industries 2009-2010
Consequently, this growth has to be sustained since it contributes substantial revenues to the central exchequer. Currently, there are 29.8 million MSMEs in India (as per the Annual report 2009-10). This includes around 28% of which are manufacturing enterprises and 71% are in service enterprises. Out of this, 5% of the enterprises are owned and managed by women, and rural enterprises account for 14.2 million. Khadi and village/rural enterprises have generated the highest rate of employment growth; the rate of employment has been to an extent of 70 million people in over 30 million units throughout the country.\(^9\) The MSMEs also account for a major share of industrial production contributing to an extent of 45% of the manufacturing output. Its contribution towards GDP is around 17\%. The MSME sector also contributes 45% of the total exports (both direct and indirect exports).\(^10\) Therefore it is understood that MSMEs play a crucial role in the sustainable growth of both emerging and developed economies with their effective, efficient, flexible and innovative entrepreneurial spirit.

According to the estimation of United Nations Industrial Development Organisation (UNIDO), micro, small and medium enterprises across the world account for almost over 90% of all enterprises and generating a higher rate of employment. These enterprises manufacture more than 6000 products that range from traditional to high-tech items. Certain products are reserved for exclusive manufacture by micro, small and medium enterprises for a long time though this list of products is decreasing due to change in industrial policies and climate (as shown in the Annexures-II).\(^11\)

MSMEs enjoy the advantage of low cost of production which is also their competitive strength. They generally use locally available resources which are less expensive. Establishment cost and running cost of small industries are on the lower side because of low overhead expenses. In addition, MSMEs are best suited for

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\(^10\) Annual Report by the Ministry for Small and Medium Industries 2009-10

customised production. The word small, as it is self explanatory, is one where the industry differentiates itself from others with regard to operation, employment, products, capital, technology etc.

1.3 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN KARNATAKA:

Karnataka is considered as one of the most deserved industrial locations for setting industries in the country. It has been consistently pursuing a progressive outlook to meet the changing needs of the State’s economy and industry. In recent times, the State has emerged as the knowledge and technology capital of the country making rapid strides in the new economy as well. IT and related industries like biotechnology and strong research and development institutions have given Karnataka a pride of place in the global market. The micro, small and medium enterprises play a pivotal role in the balanced and holistic industrial development of the State as the MSMEs generate employment and add value to the products and services while encouraging entrepreneurship. The State has a strong base of around 4 lakh registered micro, small and medium enterprises with an investment of more than Rupees 100 lakhs made in this sector and is also generating employment to around 30 lakh people. Its share in the overall industrial output is worth considering but however this sector is not free from problems.

1.4 STATEMENT OF THE PROBLEM:

The State of Karnataka has one of the highest numbers of MSMEs scattered around its districts. Eventually, the State Government has taken various measures in safeguarding the interest of micro, small and medium enterprises. Karnataka is one of the States which has implemented and extended its New Industrial Policy from the

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12 Karnataka Industrial Policy 2009-2014, Department of Industries and Commerce, Government of Karnataka
period 2006-2011 to the period 2009-2014, with a vision of building a prosperous State. The mission of this policy is to create enabling environment for robust industrial growth and to ensure inclusive industrial development in the State. The Government of Karnataka also wants to enhance the contribution of manufacturing sector to the State’s GDP by the end of the policy period.\textsuperscript{13}

As industrialisation gathered momentum, there was a considerable increase in small-scale industries and the problems related to them. Most of the problems can be attributed to the small size of their business. These problems prevent them from taking the advantages that generally accrue to large business organisations. However, the problems are not similar to all the categories of small businesses. For example, in the case of some units, the major problems include delayed payments, uncertainty of getting orders from the parent units and frequent changes in production processes etc. The problems of traditional small scale units would be remote location with less developed infrastructural facilities, lack of managerial talent, poor quality, and traditional technology. Many industries still suffer from technological obsolescence as compared to that of the international level. Significantly, any technological innovation has not trickled down to the desired extent to the small scale and rural industries. It is also seen that the linkages between R&D and SSI’s, are very weak. Similarly, the linkages between trade consultants, media, websites, trade fairs, industry associations, on the one hand and small units, on the other hand, are simply moderate. This is because of the fact that institutional research is not demand-driven and there is mismatch between institution’s orientation towards basic research and industry’s needs for few or improved products.

The problems in exports include lack of adequate data on foreign markets, lack of market intelligence, exchange rate fluctuations, quality standards, and pre-shipment

\textsuperscript{13} The Economic Times May 2011, SME BUZZ, page 2.
finance etc. In general, the small businesses face problems of finance such as the inadequacy of finance, poor approachability to the financial institutions and the responses from these financial institutions make it even more difficult for small units. The other problems being procurement of raw materials, managerial skills, labour specialization and lack of technical knowledge, marketing, quality standards, capacity utilization, global competition etc. With gradual industrialisation and more technically advanced workers, having basic skills in the small units are starting to face strict competition from their competitors, who used advanced technology, modern machines, new designs, employ well qualified and experienced workers etc.

Although Indian MSMEs are a diverse and heterogeneous group, they face some common problems like lack of availability of adequate and timely credit, high cost of credit, collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive cost, problems of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities etc., the various laws which have complicated procedures associated with compliance of such laws, absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down rapidly and the issues relating to taxation, both direct and indirect, and procedures thereof. These are some of the very strong reasons of deterioration of the overall condition of the small units.

The Government of Karnataka also has taken various measures in safeguarding the interest of MSMEs and to initiate growth in the sector. Several policy initiatives and procedural simplifications have been undertaken by the Government to support this sector, not only for employment generation but also to enhance their competitive strength. The Government has also provided measures such as greater infrastructural support, more and easier availability of credit, lower rates of duty, technology
upgradation, assistance to build entrepreneurial talent, facilities for quality improvement, and export incentives etc. The measures taken by the Government are not reaching the small units and benefiting them adequately. Therefore, there is a need to have a deep study on MSMEs in India with special reference to the State of Karnataka, to study the problems faced, to analyse the future prospects of MSMEs, to get a better insight on the functioning of MSMEs as against the large enterprises and its contribution to the Indian economy. Till now, no research has been undertaken to study micro, small and medium enterprises in the State of Karnataka. Therefore, the present research has been undertaken.

1.5 SIGNIFICANCE OF THE STUDY:

The MSMEs sector plays a key role in creating jobs and helps in achieving high economic growth. It also has the potential to provide employment for the masses. Indeed, achieving and sustaining such growth and higher employment will require a boost for MSMEs. Small industries could also go one step ahead in addressing a sustainable vision i.e., a trade-off between economic growth, profitability, and sustainable environment.

Small industries have contributed significantly in the area of urban as well as rural establishments. These firms are the real drivers of the economy. They have the attraction of low investment, high potential for employment generation; new and modern techniques of production. They continue to play a key role in the area of basic need oriented industries. The MSMEs can enrich India by utilising its rich resources and achieve a state of full employment in a very short period.

In general, the MSME sector in India and particularly in the State of Karnataka has witnessed significant changes in the post-liberalisation period since 1991. The facts and figures clearly show that the number of registered units both in India and in Karnataka has increased considerably, which has also led to the growth in investment
and employment. There is also a good amount of exports made by MSMEs which undoubtedly contributes to the GDP of the country. This evidently indicates an increasing trend in the MSME sector all over India and in the State of Karnataka. The MSMEs can act as a backbone in the overall development of the country by utilising their rich resources. The MSME sector has increased from 101.1 Lakh units (2001-02) to 298.08 Lakh units in the year 2009-10.\textsuperscript{14} This significant growth could not have been achieved without an active support to this sector. The State of Karnataka has also witnessed a similar growth in this sector. However a lot more need to be done for this sector.

Therefore, a study is undertaken to assess the needs and problems of MSMEs in India with special reference to the State of Karnataka. It is an attempt to analyse the reasons as to why this driving force of the economy of the country does not get its due recognition. In spite of so many measures taken by the Government such as disbursement of easy credit, providing good infrastructure facilities, training facilities and many more facilities, it is felt that the measures have not benefited this sector to the desired level. Hence the need for the study.

1.6 OBJECTIVES OF THE STUDY:

The objectives of the study are as follows:

1. To analyse the legal framework for MSMEs in India

2. To examine the role of Government and private sector agencies in promoting MSMEs in India.

3. To study the various assistances, incentives, and subsidies provided for MSMEs.

\textsuperscript{14} Annual Report on MSMEs 2009-2010.
4. To examine the growth pattern of MSMEs and their contribution to the Indian economy and the State of Karnataka;

5. To examine the problems faced by MSMEs and the industrial climate of micro, small and medium enterprises in the study area.

6. To offer pragmatic suggestions to facilitate the growth of MSMEs.

1.7 HYPOTHESES:

The following hypotheses are formulated for the current study:

1. There is no significant difference in their perception as to various influencing factors of starting MSMEs between male and female entrepreneurs.

2. There is no significant difference in their perception as to problems faced by MSMEs between male and female entrepreneurs.

3. There is no significant difference in their perception as to industrial climate and promotional measures between male and female entrepreneurs.

4. Differences in type of organisation do not account for significant differences in the various factors influencing to start the enterprises.

4.1 There is no significant difference in the factors influencing the decision to invest in the business amongst micro, small and medium enterprises.

4.2 There is no significant difference in the factors influencing the delay in commencement of the enterprises amongst micro, small and medium enterprises.

4.3 There is no significant difference in the factors influencing the infrastructure facilities available amongst micro, small and medium enterprises.

4.4 There is no significant difference in the influence of the factors relating to government assistance/incentives to the enterprises amongst micro, small and medium enterprises.

4.5 There is no significant difference in the factors influencing the contribution of Government services to improve the business amongst micro, small and medium enterprises.
4.6 There is no significant difference in the factors influencing the business strategies and its implementation amongst micro, small and medium enterprises.

4.7 There is no significant difference in the influence of the factors relating to business competition amongst micro, small and medium enterprises.

4.8 There is no significant difference in the influence of the factors relating to the changes in the global business environment amongst micro, small and medium enterprises.

5. Differences in type of organisation do not account for significant differences in the various problems faced by the units amongst micro, small and medium enterprises.

5.1 There is no significant difference in the production problems faced by the units amongst micro, small and medium enterprises.

5.2 There is no significant difference in the problems faced in availing the financial assistance amongst micro, small and medium enterprises.

5.3 There is no significant difference in the problems faced in exporting the products amongst micro, small and medium enterprises.

5.4 There is no significant difference in the general problems faced while running the business amongst micro, small and medium enterprises.

6. There is no significant difference in the industrial climate of the business units amongst micro, small and medium enterprises.

7. There is no significant difference in the measures implemented/proposed to be implemented in promoting units amongst Micro, Small and Medium Enterprises (MSMEs).

8. Differences in the type of locality of entrepreneurs do not account for significant differences in the various factors influencing to start the enterprises.

8.1 There is no significant difference in the factors influencing the decision to invest in the enterprises amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.2 There is no significant difference in the influence of the factors that delayed in commencement of the enterprises amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.
8.3 There is no significant difference in the influence of the factors on infrastructure facilities available amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.4 There is no significant difference in the influence of the factors relating to the government assistance/incentives to the enterprises amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.5 There is no significant difference in the influence of the factors relating to the Government services to improve the business amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.6 There is no significant difference in the influence of the factors relating to business strategies and its implementation amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.7 There is no significant difference in the influence of the factors relating to business competitors amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

8.8 There is no significant difference in the influence of the factors relating to changes in global business environment amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

9. Differences in type of locality do not account for significant differences in the problems faced by the units amongst Bangalore, Belgaum, Hubli and Mangalore cities.

9.1 There is no significant difference in the production problems faced by the units amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

9.2 There is no significant difference in the problems faced in availing financial assistance amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

9.3 There is no significant difference in the problems faced in exporting amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.
9.4 There is no significant difference in the general problems faced while running the business amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

10. There is no significant difference in the industrial climate of the business units amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

11. There is no significant difference in the measures implemented/proposed to be implemented in promoting units amongst MSMEs situated at Bangalore, Belgaum, Hubli and Mangalore cities.

1.8 PERIOD OF RESEARCH:

The present research study analyses the facts for the period of 7 years from 2003-04 to 2009-10 and also focuses on the current status of MSMEs.

1.9 OPERATIONAL DEFINITION OF CERTAIN CONCEPTS:

Definition of MSMEs in India

The definition used by the Indian authorities is based on the level of investment in plant, machinery or other fixed assets and whether they are held on an ownership, lease or hire purchase basis. It seeks to keep in view the socio economic environment in India, where capital is scarce and labour is abundant. The Government of India describes small industries in its newly enacted MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (MSMED) Act, 2006 on the basis of the investment in plant and machinery. The classification of enterprises has been given in chapter 3 of the MSMED Act 2006. The Central Government is empowered under Sec 7(1) of the said Act to classify any class or classes of enterprises, whether Proprietorship, Hindu Undivided Family (HUF), Association of Persons, Co-operative Society, Partnership firm, Company or undertaking, by whatever name called:

Micro Enterprises:
A micro enterprise is one which is engaged in the manufacture or production of goods and the investment in plant and machinery does not exceed Rs. 25 lakhs; and in case of service enterprises, the investment in equipments does not exceed Rs. 10 lakhs.

**Small Enterprises:**

A small enterprise is one which is engaged in the manufacture or production of goods and the investment in plant and machinery exceeds Rs. 25 lakhs but does not exceed Rs. 5 crores; and in case of service enterprises, the investment in equipments exceeds Rs. 10 lakhs but does not exceed Rs. 2 crores;

**Medium Enterprises:**

A medium enterprise is one which is engaged in the manufacture or production of goods and the investment in plant and machinery exceeds Rs. 5 crores but does not exceed Rs.10 Crores; and in case of service enterprises, the investment in equipments exceeds Rs. 2 crores but does not exceed Rs. 5 crores.

**Large Scale Industry:**

It an industrial unit which is not classified as a micro, small, or medium enterprise and with investments more than Rs. 10 Crores shall be classified as large scale industry.

**Fixed Asset:**

Fixed assets shall mean the total investment made on land, building, plant and machinery and such other productive assets like tools, jigs, fixtures, dyes, utilities like boilers, compressors, diesel generating sets, cranes, material handling equipment and such other equipment directly related to production purposes.

**Enterprise:**

It means an industrial undertaking or a business concern or any other establishment by whatever name called, engaged in the manufacture or production of
goods in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act 1951 or engaged in providing or rendering of any service or services;
1.10 RESEARCH METHODOLOGY:

The present study is based on both primary and secondary data. The secondary data is mainly congregated from published and unpublished works on the related topic. Census reports, economic surveys, journals, news papers, government and non-government organisations (NGOs) associated with the industrial sector especially the Directorate of Industries, Directorate of Economics and Statistics, SIDBI, SISI (Now MSME Development Institute), and various Statistical Handbooks available were a major source for secondary information. Moreover, the web resources also acted as an important source of secondary information. In addition, the personal interviews and informal discussions also held with the government officials, and NGOs to know their reactions and get their suggestions.

The primary data has been collected mainly from extensive field survey of the sample units. To obtain primary information, a personal interview has been conducted through well designed questionnaire especially prepared in view of the objectives of the study.

1.11 PRE-TEST AND PILOT STUDY:

The data relating to the problems, challenges, socio-economic factors, expectation of the entrepreneurs was collected with the help of questionnaire. In the light of empirical information gathered, the researcher conducted a pilot study with 35 MSME units located in Bangalore city. On the basis of the information gathered and suggestions, inputs given by the entrepreneurs, the required modifications were done in the questionnaire.

1.12 SAMPLING PLAN:
The list of registered MSMEs in the State of Karnataka was obtained from the records maintained by the Department of Micro, Small and Medium Enterprises and other directories maintained by the private associations in Bangalore. In order to obtain the primary data, a field survey has been conducted in the study area by adopting a sampling design of “purposive sampling” with the selection of industries. The MSMEs were found spread unevenly across the four cities. These units were engaged in manufacturing and service/repair etc. which have been categorised into various sectors such as food products, chemical, basic metal industry, electrical and machinery parts, rubber and plastic etc. Out of these units, a total of 400 industrial units have been selected as sample units for the purpose of the study. Care has been taken to include the maximum number of trade activities undertaken in these groups so that the researcher can draw results for all the categories.

The final questionnaire was distributed among the entrepreneurs. Besides the unstructured interview and informal discussions, the prepared questionnaire was used in interviewing the entrepreneurs of MSME units. The total sample respondents were 400 unit and 100 units each from the four selected industrial cities of the State.

1.13 FIELD WORK AND COLLECTION OF DATA:

The fieldwork for this research study was carried out personally by the researcher. The researcher visited all the four cities of the State and the questionnaire was distributed to the selected entrepreneurs. Most of the information was shared willingly by the entrepreneurs but due to the fact that the majority of the MSME units in the state do not maintain proper accounts of their business, it was not possible to gather time series data on the variables like investment, employment, production etc.

The information collected from primary and secondary sources has been edited, categorised and arranged in logical order. In the process, certain errors and omissions were detected and corrected subsequently.
1.14 DATA PROCESSING AND STATISTICAL TOOLS USED:

The present study is both descriptive and analytical. It is an empirical study based on sample survey method. After the completion of the data collection, the filled-in questionnaires were segregated and classified. A master table was prepared in the excel format to sum up all the information collected in the questionnaire. The tabular analysis was done both manually and also with the ‘Statistical Package for Social Science (SPSS).

The collected data so arranged was examined with the help of appropriate statistical tools to draw the inherent facts. In analysing data, simple statistical techniques such as percentage, comparisons mean, ‘t’ test and ‘F’ test-one way ANOVA were used to deduce the association among variables, in order to reach conclusions.

1.15 LIMITATIONS OF THE STUDY:

1. Due to certain constraints such as finance and lack of time, the primary study area was restricted to the State of Karnataka covering four cities namely, Bangalore, Belgaum, Hubli and Mangalore.

2. Only 400 industrial units were selected for the study. Among them, 100 units each were selected from the four industrial cities of Karnataka.

3. In order to study the growth pattern of the SMEs, it is inevitable to request the respondents to furnish with the details of their profit and loss accounts. This being one of the few areas where most of the respondents were hesitant to disclose, the growth pattern was limited to the other factors.

4. Majority of the units do not maintain proper and uniform records or accounts of their business. Moreover, the sector is unorganised and disclosure of accurate information by entrepreneurs left doubt. However, the researcher
managed to gather the adequate information as much as possible for the purpose of data analysis with a huge effort.

1.16 CHAPTERISATION:

The present study is divided into EIGHT chapters as follows:

Chapter-I is the “Introduction and Design of the Study.” It basically deals with a brief introduction on the topic, significance of the study, statement of problem, objectives of the study, hypotheses, scope of the study research methodology applied, limitations of the study and the chapterisation scheme is also incorporated in this chapter.

Chapter-II deals with the “Review of Related Literature”. This chapter is meant to bring an interface between the topic of study with the other research work carried out in India and in other foreign countries.

Chapter-III is the study of “Regulatory framework of MSMEs” and the evolution of MSME policy in India. The role of SSIs from the pre-independence period till date and their contribution to the economy is discussed in detail. It also covers various other regulatory frameworks of MSMEs.

Chapter-IV titled, “Institution support for MSMEs” explains the role of these agencies in promoting and functioning of MSMEs, which have been formed both by the Central Government and the State Government for giving the required assistance to MSMEs.

Chapter-V with heading “Incentives for MSMEs” deals with the study of the assistance, incentives and concessions provided by the Government of Karnataka to the MSMEs.

Chapter-VI is entitled, “Growth Pattern of MSMEs ”. This chapter is a study of the growth pattern where the number of units of MSMEs, the investment
made, employment generated, exports etc. are studied in detail both from the point of view of India and the State of Karnataka.

Chapter-VII deals with the “Analysis and Interpretation of Data” It includes the factors influencing the start of the enterprises, problems faced by MSME units and their industrial climate in Karnataka with reference to four cities such as Bangalore, Belgaum, Hubli and Mangalore and the problems pertaining to the MSMEs in Karnataka are highlighted.

Chapter-VIII: The last chapter presents the summary of major findings, making suggestions for the better functioning of MSMEs in the State of Karnataka and presents logical conclusion based on the research report.